

Message Text

PAGE 01 STATE 198974
ORIGIN SNM-02

INFO OCT-01 ISO-00 IO-02 /005 R

66011
DRAFTED BY:S/NM:MLCHESHES:PP
APPROVED BY:S/NM:MFALCO
-----117557 202022Z /65
R 200508Z AUG 77
FM SECSTATE WASHDC
TO USMISSION GENEVA

UNCLAS STATE 198974

FOR MIKE DEMETRE

FOLLOWING REPEAT ISLAMABAD 8459 SENT ACTION SECSTATE AUG 18.
QUOTE UNCLAS ISLAMABAD 8459

FOR DEPT. STATE, S/NM
PASS AID, SER/INC

E.O. 11652: N/A
TAGS: SNAR, PK
SUBJ: REQUEST FOR FY 77 FUNDING FOR INCOME SUBSTITUTION RESEARCH
PROJECT

1. SUMMARY BEGINS: MISSION IS IN ADVANCED STAGES OF WORKING OUT
A SMALL SCALE EXPERIMENT TO TEST THE FEASIBILITY OF OPERATING A
TOBACCO FOR POPPIES SUBSTITUTION PROGRAM THROUGH A COMMERCIAL
ORGANIZATION IN THE MERGED AND TRIBAL AREAS OF THE NWFP. MISSION
AND GOP ATTEMPTING TO FINALIZE PROJECT AGREEMENT BY SEPTEMBER
1, 1977, WITH A RESEARCH GRANT EXECUTED WITH THE PAKISTAN TOBACCO
COMPANY (A COMMERCIAL ORGANIZATION) BY OCTOBER 1, 1977, TO ALLOW
TESTING OF THE MODEL DURING THE COMING POPPY SEASON. THE PROPOSAL
DESCRIBED BELOW REPRESENTS CURRENT THINKING AND WILL BE
SUBJECT TO FURTHER REFINEMENT BY MISSION AND GOP. MISSION REQUESTS
UNCLASSIFIED

PAGE 02 STATE 198974

THAT STATE S/NM RESERVE DOLS275,000 OF FY 1977 FUNDS FOR ANTICIPATED
OBLIGATION FOR USAID/P ON OR ABOUT SEPTEMBER 1, 1977. END SUMMARY.

2. BACKGROUND

A. LEGAL SITUATION:- THE LEGAL SITUATION IN THE POPPY GROWING
AREAS OF THE NWFP HAS COMPLICATED THE PROCESS OF DEVELOPING
INCOME SUBSTITUTION PROJECTS IN PAKISTAN. THE NWFP IS
DIVIDED INTO SETTLED, MERGED AND TRIBAL AREAS. ALL OF PAKISTAN
LAWS APPLY TO THE SETTLED AREAS AND THE GOP ATTEMPTS TO ENFORCE
THEM. SOME OF PAKISTAN LAWS (INCLUDING NARCOTICS LAWS) HAVE

BEEN APPLIED TO THE MERGED AREAS BUT TO DATE THE GOP HAS BEEN RELUCTANT TO ATTEMPT TO ENFORCE THEM. NONE OF PAKISTAN'S TRIBAL AREAS AND THE GOP HAS NEITHER THE AUTHORITY NOR THE CAPABILITY TO DO ANYTHING ABOUT OPIUM IN THE TRIBAL AREAS. ALTHOUGH THE LAW DOES NOT APPLY IN TRIBAL AREAS AND IS NOT VIGOROUSLY ENFORCED IN MERGED AREAS THERE IS NOTHING TO PRECLUDE COMMERCIAL OPERATIONS IN THESE AREAS BY PAKISTANI CORPORATIONS. THEREFORE, PAKISTANI CORPORATIONS ARE CURRENTLY PURSUING THEIR COMMERCIAL OBJECTIVES IN THE TRIBAL AREAS DESPITE THE FACT THAT THEY DO NOT HAVE THE PROTECTION OF THE LAW.

B. NATURE OF POPPY PRODUCTION :- DURING THE CY 1976/1977 POPPY SEASON IT IS ESTIMATED THAT 15,000 OUT OF AN ESTIMATED POTENTIAL OF 98,000 ACRES IN THE POPPY AREA, WAS ACTUALLY IN POPPIES. THE NATURE OF POPPY PRODUCTION IS SUCH THAT IN MOST OF THE POPPY GROWING AREAS NO MORE THAN 10 PERCENT OF THE LAND IS PLANTED IN POPPIES, HOWEVER, IN MOST CASES IT IS NOT THE SAME 10 PERCENT EACH YEAR. THEREFORE, IN DEVELOPING INCOME AND CROP SUBSTITUTION PROJECTS THEY CANNOT BE AIMED AT THE 15,000 ACRES, WHICH IS CONTINUALLY CHANGING, BUT MUST BE AIMED AT ALL OF THE FARMERS OF THE POTENTIAL 98,000 ACRES. ADDITIONALLY, BECAUSE OF THE DRAMATIC INCREASE THIS YEAR IN THE PRICE OF RAW OPIUM IT IS ANTICIPATED THAT THE TOTAL POPPY ACREAGE WILL INCREASE IN THE COMING CROP SEASON.

UNCLASSIFIED

PAGE 03 STATE 198974

C. RATIONALE FOR SELECTING TOBACCO INDUSTRY:- THE TOBACCO INDUSTRY WAS SELECTED BECAUSE THERE IS SUFFICIENT GOVERNMENTAL (PAKISTAN TOBACCO BOARD) AND COMMERCIAL (PAKISTAN TOBACCO COMPANY) INFRASTRUCTURE PRESENTLY IN PLACE TO ALLOW FOR EASE AND TIMELINESS IN CARRYING OUT THE RESEARCH PROJECT. THE PROJECT WILL BE UNDER THE JOINT SPONSORSHIP OF THE PAKISTAN NARCOTICS CONTROL BOARD (PNCB), AND THE PAKISTAN TOBACCO BOARD (PTB) AND WILL BE IMPLEMENTED BY ONE OF PAKISTAN'S LARGEST PRIVATE CORPORATIONS, THE PAKISTAN TOBACCO COMPANY. THE RESEARCH PROGRAM IS BUILT AROUND FLU CURED VIRGINIA TOBACCO WHICH IS GROWN ON IRRIGATED LAND. THE DEMAND FOR THIS TOBACCO IN PAKISTAN IS FAR GREATER THAN CURRENT SUPPLY. ADDITIONALLY TO GROW THIS TOBACCO A FARMER MUST INVEST IN A SPECIALLY CONSTRUCTED DRYING BARN WHICH REPRESENTS A CONSIDERABLE INVESTMENT ON HIS PART. IT HAS BEEN THE EXPERIENCE OF THE TOBACCO COMPANIES THAT ONCE A FARMER HAS INVESTED IN A BARN HE WILL CONTINUE AS A TOBACCO FARMER IN ORDER TO PROTECT THAT INVESTMENT. (A DRYING BARN IS ECONOMICAL FOR AS LITTLE AS 2-1/2 ACRES OF TOBACCO.)

3. OBJECTIVES OF RESEARCH PROJECT

A) TO TEST THE FEASIBILITY OF OPERATING INCOME SUBSTITUTION PROJECTS IN THE MERGED AND TRIBAL AREAS THROUGH COMMERCIAL ORGANIZATIONS.

B) TO ASCERTAIN WHETHER TOBACCO IS AN ECONOMICALLY VIABLE SUBSTITUTE CROP FOR POPPIES IN IRRIGATED AREAS.

C) TO ASCERTAIN IF SMALL SUBSIDIES PROVIDED TO FARMERS THROUGH A COMMERCIAL ORGANIZATION CAN BE USED TO MOVE FARMERS

OUT OF POPPY PRODUCTION.

D) TO MEASURE THE EFFECT OF AN ENFORCEMENT COMPONENT IN
COMMERCIALLY OPERATED INCOME SUBSTITUTION PROJECTS.

4. SCOPE OF RESEARCH ACTIVITY

SIX AREAS HAVE BEEN SELECTED, THREE PROGRAM AREAS AND
THREE CONTROL AREAS. THE THREE PROGRAM AREAS DURING THE
CY 1976/77 POPPY SEASON CONTAINED APPROXIMATELY 570 ACRES OF
IRRIGATED POPPIES. THE OBJECTIVES IN THE THREE PROGRAM AREAS
UNCLASSIFIED

PAGE 04 STATE 198974

ARE SLIGHTLY DIFFERENT, HOWEVER, IN TOTAL AN ATTEMPT WILL BE MADE
TO INCREASE TOBACCO ACREAGE FROM 1,170 ACRES TO 2,760 ACRES
AND MEASURE THE EFFECT ON POPPY ACREAGE. IT IS ANTICIPATED
THAT POPPY ACREAGE CAN BE REDUCED BY 456 ACRES OR 80 PERCENT.
THE CONTROL AREAS ARE SIMILAR CULTURALLY, ECONOMICALLY AND
SOCIALY TO THE PROGRAM AREAS WILL BE KEPT UNDER OBSERVATION
TO DETERMINE WHAT CHANGES, IF ANY, TAKE PLACE IN THE AREAS
WHICH ARE NOT BEING PROVIDED INCENTIVES.

A) FIRST PROJECT - THIS IS AN ESTABLISHED TOBACCO AREA
WHERE THE TOBACCO COMPANIES ARE NO LONGER ATTEMPTING TO EXPAND
TOBACCO ACREAGE, SINCE DEVELOPMENT COSTS ARE CHEAPER IN OTHER
AREAS. THE OBJECTIVE IN THIS PROJECT WILL BE TO SEE IF INCENTIVES
WILL RESULT IN INCREASING DOUBLING TOBACCO ACREAGE AND TO MEASURE ANY
POSSIBLE REDUCTION IN POPPY PRODUCTION. THE PROGRAM AREA IS IN THE
SAM RANIZAI AREA OF THE MALAKAND PROTECTED AREA (MERGED IN
1969), SOUTH OF MALAKAND PASS NEAR DARGAI. THE CONTROL AREA
IS LOCATED IN THE SWAT RANIZAI AREA OF THE MALAKAND PROTECTED
AREA ON THE LEFT BANK OF SWAT RIVER NEAR THE VILLAGES OF KOPAR
AND BADROGA.

B) SECOND PROJECT - VIRTUALLY, NO TOBACCO IS GROWN IN THIS
AREA ALTHOUGH THE POTENTIAL IS GREAT. THIS PROJECT WILL CONTAIN
AN ENFORCEMENT COMPONENT WHICH WILL MAKE IT POSSIBLE TO COMPARE
THE EFFECT OF AN ENFORCEMENT COMPONENT ON TOBACCO EXPANSION WITH
A SIMILAR PROJECT (THIRD PROJECT PARA 4-C, BELOW) WHICH DOES NOT
CONTAIN THE ENFORCEMENT COMPONENT. THE OBJECTIVE IN THIS
PROJECT IS TO ESTABLISH THE AREA AS A TOBACCO AREA. FARMERS
WILL NOT BE ALLOWED TO ENROLL IN THE PROGRAM AND RECEIVE THE
BENEFITS UNLESS THEY SIGN A CONTRACT WITH THE PNCB STATING THAT
THEY AGREE NOT TO GROW POPPIES ON THEIR LAND FOR THREE YEARS.
THE PROGRAM AREA IS IN THE FORMER DIR STATE (MERGED AREA) AND
IS LOCATED ALONG THE CHAKDARA ROAD ON THE RIGHT BANK OF THE SWAT
RANIZAI AREA OF MALAKAND, NORTH WEST OF THE MALAKAND PASS.

C. THIRD PROJECT - THE OBJECTIVE OF THIS PROGRAM IS TO TEST
UNCLASSIFIED

PAGE 05 STATE 198974

THE FEASIBILITY OF OPERATING COMMERCIAL INCOME SUBSTITUTION
PROJECTS IN TRIBAL AREAS (AT THE PRESENT TIME THE GOP WOULD NOT
CONSIDER A DIRECT GOVERNMENT OPERATED PROJECT IN A TRIBAL AREA.)
THIS PROJECT AND THE AREA IS SIMILAR TO THE SECOND PROJECT EXCEPT

THAT THE AREA IS TRIBAL AND THE PROGRAM DOES NOT CONTAIN AN ENFORCEMENT COMPONENT. THE PROGRAM AREA IS IN MOHMAND AGENCY (TRIBAL) AND IS LOCATED IN THE BUCHA AREA. THE CONTROL AREA IS ALSO LOCATED IN THE MOHMAND AGENCY AND IS NORTH OF SHABQADAR ON THE LEFT BANK OF THE KABUL RIVER.

5. ESTIMATED TOTAL ARABLE ACREAGE AND CROPPING PATTERN

OF THE PROJECT AREAS 1976/1977 (SOURCE: PTC RECORDS)

CROP	AREA I	AREA II	AREA III	PROGRAM CONTROL	PROGRAM CONTROL	PROGRAM CONTROL
TOBACCO	780	1800	90	820	300	900
SUGARCANE	650	630	-	-	350	1500
GRAINS) IRRIG.						
)NON-IRRIG.	800	1900	250	400	600	1700
	1000	2600	1300	1600	650	
ORCHARDS	1500	120	60	30	40	150
VEGETABLES	800	50	30	20	25	60
POPPY)IRRIG.	250	370	80	80	240	230
)NON-IRRIG.	50	180	212	250	260	160
MISC. CROPS	300	50	20	30	20	50
UNCULTIVATED						
(PASTURE AND						
NON-ARABLE)	2500	2000	3200	1800	600	980

TOTAL ACREAGE:	7630	8100	7542	4730	4035	6380

6. PROJECT INPUTS AND ESTIMATED COST

A) TOBACCO COMPANY - THROUGH THE TOBACCO COMPANY THE FARMER WILL BE PROVIDED WITH SMALL SUBSIDIES TO ASSIST HIM IN ESTABLISHING HIMSELF AS A TOBACCO FARMER. THESE SUBSIDIES WILL CONSIST OF SUCH ITEMS AS A SUBSIDIZED AND GUARANTEED LOAN THROUGH UNCLASSIFIED

PAGE 06 STATE 198974

A BANK FOR TOBACCO BARN CONSTRUCTION, SEEDLINGS, FERTILIZER, INSECTICIDE SPRAYER, AND PAYMENTS (AT COST) FOR PLOUGHING UNDER EXISTING CROPS AND SUBSTITUTING TOBACCO. WHILE WE ARE AIMING AT POPPIES, THERE IS A POSSIBILITY THAT WHEAT COULD BE THE OPPORTUNITY CROP. WE SHALL ATTEMPT TO SEE THAT POPPIES ARE THE CROP PLOWED UNDER. HOWEVER, IF WE OPENLY ANNOUNCE AN ANTI-POPPY EFFORT WE ENCOURAGE POPPY PRODUCTION IN THE HOPE OF FUTURE PAYOFFS TO GET OUT OF POPPIES. TOBACCO COMPANIES ARE CURRENTLY PROVIDING THE ABOVE FACILITIES TO FARMERS IN THEIR PRIORITY DEVELOPMENT AREAS.

COST ESTIMATE - TOBACCO COMPANY

INCENTIVES TO FARMERS (DOLS75 PER ACRE)	DOLS211,000
SALARIES OF TOBACCO CO. PERSONNEL	DOLS22,000
OPERATING EXPENSES	DOLS12,000
EQUIPMENT (LOCAL PURCHASE)	DOLS20,000

DOLS265,000

THE TOBACCO COMPANY'S GRANT FROM USAID WILL DIRECT THEM TO FOCUS THEIR SUBSTITUTION EFFORT ON POPPY FARMERS.

B) PAKISTAN TOBACCO BOARD (PTB) - THE PTB WILL DO SOIL, PLANT, INSECT, AND PLANT DISEASE RESEARCH IN THE TWO AREAS WHERE TOBACCO IS TO BE ESTABLISHED AS A MAJOR CROP AND WILL ADVISE THE TOBACCO COMPANY AND FARMERS ON FERTILIZER, INSECTICIDES, BEST POSSIBLE SUMMER CROP (SECOND CROP) AND BEST POSSIBLE POTENTIAL CROP AFTER TWO OR THREE YEARS. THIS WILL INSURE THAT SUFFICIENT INFORMATION IS AVAILABLE TO THE FARMERS TO ENABLE THEM OVER THE LONG RUN, TO CONTINUE AS SUCCESSFUL TOBACCO FARMERS.

COST ESTIMATE - PTB

UNCLASSIFIED

PAGE 07 STATE 198974

PROGRAM AREA II (MERGED) DOLS5,000

PROGRAM AREA III (TRIBAL) DOLS5,000

DOLS10,000

7. STATUS OF PROJECT NEGOTIATIONS

PROJECT DESIGN IS IN FINAL STAGES. DURING THE LAST WEEK USAID/P AND EMBASSY DISCUSSED PROPOSED RESEARCH PROJECT WITH THE CHAIRMAN AND DIRECTOR OF PLANNING OF THE PAKISTAN NARCOTICS CONTROL BOARD (PNCB), THE CHAIRMAN OF THE PAKISTAN TOBACCO BOARD (PTB), AND THE GENERAL MANAGER AND THE REGIONAL MANAGER FOR LEAT PRODUCTION AND DIRECTOR OF RESEARCH OF THE PAKISTAN TOBACCO COMPANY (PTC) TO ASCERTAIN THEIR INTEREST IN ATTEMPTING TO LAUNCH THE PROGRAM PRIOR TO THE CY 1977/1978 POPPY SEASON. ALL PARTIES AGREE THAT DESPITE THE SHORT PERIOD AVAILABLE FOR EXECUTING A PROAG AND GRANT, AN ATTEMPT SHOULD BE MADE TO COMPLETE PAPERWORK AND TEST THE MODEL DURING UPCOMING POPPY SEASON. IT IS THEREFORE REQUESTED THAT DOLS275,000 BE RESERVED FOR OBLIGATION BY USAID/P IN EARLY SEPTEMBER 1977.

HUMMEL

UNQUOTE VANCE

UNCLASSIFIED

<< END OF DOCUMENT >>

Message Attributes

Automatic DecapTIONing: X
Capture Date: 22-Sep-1999 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RESEARCH, FUND ALLOTMENT, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Aug-1977 12:00:00 am
DecapTION Date: 01-Jan-1960 12:00:00 am
DecapTION Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE198974
Document Source: ADS
Document Unique ID: 00
Drafter:
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Expiration:
Film Number: D770301-1304
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197708117/baaaetoj.tel
Line Count: 262
Litigation Code IDs:
Litigation Codes:
Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:38:59 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:02 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: b8e85751-c288-dd11-92da-001cc4696bcc
Office: ORIGIN SNM
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1446032
Secure: OPEN
Status: NATIVE
Subject: REQUEST FOR FY 77 FUNDING FOR INCOME SUBSTITUTION RESEARCH PROJECT
TAGS: SNAR, PK
To: GENEVA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/b8e85751-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009